

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

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Docket No. R97-1

Postal Rate And Fee Changes, 1997

**OPPOSITION OF ALLIANCE OF NONPROFIT MAILERS
TO OBJECTION OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY NFN/USPS-T1-1
(February 11, 1998)**

Pursuant to Presiding Officer's Ruling No. R97-1/92 (Feb. 4, 1998), the Alliance of Nonprofit Mailers ("ANM") hereby replies to the January 30 objection of the United States Postal Service to National Federation of Nonprofits Interrogatory NFN/ANM-T1-1. The interrogatory asks ANM to explain how the Commission may "back out the increases in costs attributed by the IOCS to Nonprofit Standard (A) mail since the test period in the last rate case."

Dr. Haldi's answer, filed separately by ANM yesterday, explains that this procedure is straightforward: the Commission can and should reject the proposed increase in Base Year Clerks and Mailhandlers Costs for nonprofit Standard (A) mail to the extent that the ratio of the unit cost for Standard (A) Nonprofit exceeds 0.7115 times the unit cost for commercial Standard (A) mail. The 0.7115 value is the ratio in FY 1995, and the *highest* of the ratios between FY 1992 and FY 1995. This process would yield a Base Year unit Clerks and Mailhandlers cost for Standard (A) nonprofit mail of 3.8, 8.6 percent less than that proposed by the Postal Service. Response of ANM to Interrogatory NFN/ANM-T1-1.

The Postal Service objects to the question on two grounds: (1) the interrogatory constitutes “friendly cross-examination”; and (2) admitting the answer would prejudice the Postal Service by allowing ANM to offer “the evidentiary basis for a new proposal” after the “deadline for submitting new proposals has come and gone.” Neither objection is well founded.

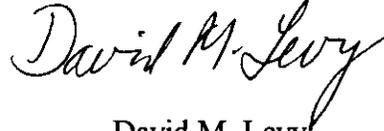
First, the Postal Service’s objections are premature. The interrogatory answer has no evidentiary status until it is admitted as evidence. If and when the answer is designated as written cross-examination, the Postal Service will have a full opportunity to object. It is entirely possible, however, that the answer may be designated by participants who are less closely aligned with ANM than is NFN.

In any event, the Postal Service has failed to explain how it would be prejudiced by admission of the interrogatory answer. The answer outlines a simple and straightforward cap on the Postal Service’s proposed cost increases for nonprofit Standard (A) mail. There is nothing obscure or complex about the cost cap; and all of the data underlying it appear in Table 8 of Dr. Haldi’s direct testimony (ANM-T-1) or the Postal Service’s own Cost Segments and Components reports and Cost and Revenue Analysis reports for Fiscal Years 1992-1996. *See* Response to ANM to Interrogatory NFN/ANM-T1-1. The existing record thus provides ample basis for the Commission to adopt the cap *sua sponte*, with or without the interrogatory answer. *See also* ANM Pretrial Brief (Feb. 10, 1998) at 26-27.

Moreover, the Postal Service will have ample opportunity to address the merits of the cap on cross-examination of Dr. Haldi or in written rebuttal testimony. Indeed, the Postal Service has received far more advance notice of the cap than it gave ANM and other interveners to deal with the avalanche of belatedly filed

workpapers, exhibits and supplemental testimony offered in support of the Postal Service's case-in-chief.

Respectfully submitted,



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February 11, 1998

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document on all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

David M. Levy

February 11, 1998

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